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Bulgaria

Agricultural Situation

Domestic support update

2007

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Report Highlights:

Bulgarian Government faces one of the biggest challenges in the EU accession process – current EC inspection of the Paying Agency which may potentially result in cut off of 25% of CAP domestic support funds. At the same time, the Ministry of Agriculture approved national budget support funds at roughly 10 million euro for various agricultural industries. Total 79,000 farmers cultivating 3.38 million HA will receive direct subsidies under SAPS in 2007.

Includes PSD Changes: No
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Unscheduled Report
Sofia [BU1]
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Paying Agency	3
Direct Subsidies	3
National top-ups	3
Dairy	4
Fishery	4
Producers Organizations	5

Paying Agency

In June, the EC began a comprehensive inspection of Bulgarian Paying Agency (PA). The inspection should find out if the PA has the necessary administrative and structural capacity to effectively manage EU/CAP funds. The emphasis is on the proper functioning of IACS system (integrated system for all farm records). If the results are not satisfactory, the EC can cut off 25% of its domestic support funds for Bulgaria.

Direct Subsidies

The June 25 is the new deadline for submission of farmers' applications for EU direct subsidies (SAPS). Bulgarian farmers, together with Romanian, were granted an additional grace period of 25 days for their first applications.

While this extension was not critical for an increase in the total number of farmers, it was important for energy crops growers. The Bulgarian MinAg published the necessary regulations late, only in early June, leaving a couple of days to applicants. With the new deadline, it is expected that at least some large farms will be able to apply for energy crops premiums in 2007. In early May, the MinAg approved 10 national standards for good farming practices under cross compliance requirements (EC 1782/2003).

As of June 20, total about 79,000 farmers have applied for SAPS subsidies for 3.379 million HA. This is less than the country ceiling of 3.8 million HA. Most of the remaining 0.4 million HA are municipal pastures or meadows where the application procedure requires more time and big municipal meetings. This land can be used as pastures leased to livestock farmers.

National top-ups

In early June, the MinAg (State Fund Agriculture) announced a 9.0 million leva (4.5 million Euro) national support under 5 financial mechanisms, as follows:

- support for national genetic resources - breeding livestock and poultry – through a feeding program (7.0 million leva/3.5 million Euro). This support is extended to research institutes and their experimental farms for elite livestock. Funds will be used for purchase of feed. The program starts on June 15 and ends on October 15. The MinAg reported an increase in the controlled number of breeding livestock with 20% over the last 2 years thanks to this program. Breeding Associations and the Executive Agency for Selection and Reproduction in Animal Breeding play a key role in the application process.
- support for farmers - producers of seed potatoes and commercial potatoes for direct consumption (1.3 million leva/650 K Euro). This support allows a subsidy of 1,600 leva (800 Euro)/HA for purchase of seed material for production of seed potatoes, and 660 leva (330 Euro)/HA for purchase of seed material for production of commercial potatoes;
- support for producers of bee honey (300 K leva/150 K Euro), a subsidy of 0.40 leva (0.20 Euro)/kilogram of honey. Honey should be produced and sold to a registered processing facility, and be accompanied by an accredited lab analysis;
- support for rice producers (200 K leva/100 K Euro) with a subsidy for irrigation water of 100 leva(50 Euro)/HA. This subsidy is estimated to cover about 20% of rice producers expenses for water;

- support for cotton farmers (300 K leva/150 K Euro). The subsidy is provided for producers of non ginned first quality class cotton. Cotton growers will receive 0.30 leva (0.15 Euro)/kilogram of cotton for not more than 1,000 kilos/HA.

In addition, 710,000 leva (355 K Euro) subsidy was extended for support of crop genetic resources. The subsidy is provided to research institutes and should be used for purchase of inputs for growing crops. Currently, the agricultural research institutes have about 300 HA of field and perennial crops used for various selection programs.

Dairy

In mid-May, the MinAg renewed the traditional program for subsidies for quality milk. The allocation for 2007 is 8.5 million leva (4.25 million Euro).

The subsidy rate is 0.05 leva/liter (0.025 Euro) cow milk; 0.07 leva/liter (0.035 Euro/liter) for sheep, goat and buffalo milk. The subsidies for buffalo milk were introduced retroactively from April 1 due its higher priority compared to other types of milk; the other subsidies are in force since May 15. Farmers in three less favored areas – Rodopi mountain, North-West Bulgaria and Strandga-Sakar region – will receive 0.01 leva/liter on the top of the regular subsidy.

Eligible farmers are: dairy cow farmers registered in the first category (or meeting EU hygiene and quality milk requirements, currently these farms produce 200,000 liters of milk) as the amount of subsidized milk can not exceed farmer's individual milk quota; goat farmers with minimum 20 goats and maximum daily milk yield of 3 liters; maximum sheep milk yield of 1.5 liters/day, and 12 liters/day for buffalo milk yield. Every dairy farmer has a subsidy ceiling of 130,000 leva (65,000 Euro) per year.

Industry and public debates over the dairy sector problems continued in May/June. In early June, industry associations sent open letters to the Prime Minister and Government appealing for urgent support measures for the sector.

Industry insisted on an annual subsidy for European quality standards milk at 0.10 Euro/liter of cow milk and 0.15 Euro/liter of sheep milk; and lower subsidy (0.5 Euro/liter) for cow milk meeting lower, national quality standards.

In addition, 1,500 Euro to be the annual subsidy per a semi-market livestock farm (with up to 10 cows) for a period of 5 years to support its transition from a dairy to meat (beef) farm. This request is related to one of the most significant problems in the dairy sector – production of milk at small farms which does not meet the quality standards but leads to excess in the national milk quota. The subsidy is supposed to help these farms to reorient them to a more efficient model of meat vs. milk production.

According to the industry, this policy is applied in Romania and produces encouraging results. It is still not clear if the Government will respond to these appeals.

Fishery

The amount of 105 million Euro will be provided to the Fishery and Aquiculture sector from the EU funds in the period 2007-2013 or about 15 million Euro per year. Currently, the MinAg is working on a operational program which has to be approved by Brussels later in 2007.

Producers Organizations

On a recent meeting of the EU Ministers of Agriculture, Bulgaria was granted a grace period of 3 years during which producers' organizations (PO) may not have mandatory agro-ecological measures in their programs. Following this grace period, POs will have to allocate 10% of their budget for these activities. In addition, POs in Bulgaria will be able to access a new subsidy for production of strawberries and raspberries for processing (230 Euro/HA for 5 years).